



**COMMODITY FUTURES TRADING COMMISSION**  
**QUARTERLY PERFORMANCE REVIEW**

**FIRST QUARTER, FY 2001**



## **QUARTERLY PERFORMANCE REVIEW FIRST QUARTER, FY 2001**

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**Purpose:** *The Quarterly Performance Review (QPR) provides narrative and statistical information regarding how well the CFTC is performing its mission to protect market users and the public from fraud, manipulation, and abusive trading practices related to the sale of commodity futures and options, and to foster open, competitive, and financially sound commodity futures and option markets.*

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## **Part I: Commission Resources**

## Summary of FY 2001 Commission Funding

## By Agency Goal &amp; Outcome Objective

Outcome Objective by CFTC Goal	FY 2001 \$ (000)
<b>GOAL ONE: Protect the economic functions of the commodity futures and option markets.</b>	
<b>Outcome Objectives</b>	
1.1 Foster futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	\$11,885
1.2 Oversee markets which can be used effectively by producers, processors, financial institutions and other firms for the purposes of price discovery and risk shifting.	1,152
<b>Subtotal Goal One</b>	<b>\$13,037</b>
<b>GOAL TWO: Protect market users and the public.</b>	
<b>Outcome Objectives</b>	
2.1 Promote compliance with and deter violations of federal commodities laws.	\$17,975
2.2 Require commodities professionals to meet high standards.	1,772
2.3 Provide a forum for effectively and expeditiously handling customer complaints against persons or firms registered under the Act.	1,795
<b>Subtotal Goal Two</b>	<b>\$21,542</b>
<b>GOAL THREE: Foster open, competitive, and financially sound markets.</b>	
<b>Outcome Objectives</b>	
3.1 Ensure sound financial practices of clearing organizations and firms holding customer funds	\$3,136
3.2 Promote and enhance effective self-regulation of the commodity futures and option markets.	9,020
3.3 Facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions.	3,467
3.4 Promote markets free of trade practice abuses.	3,549
<b>Subtotal Goal Three</b>	<b>\$19,172</b>
<b>Unallocated</b>	
Unallocated & Prorated <sup>1</sup>	18,268
<b>Subtotal Unallocated</b>	<b>\$18,268</b>
<b>TOTAL</b>	<b>\$72,000</b>

<sup>1</sup> Unallocated & Prorated refers to those resources supporting the offices of the Chairman and the Commissioners (with the exception of the Office of International Affairs); the Office of the Executive Director (with the exception of certain activities of the Office of Information Resources Management); and a very small portion of resources in the Office of the General Counsel. The resources are not originally allocated to a specific strategic goal because, for the most part, the work performed by these offices provides common support across all strategic goals.

**Division Staffing Distribution by Outcome Objective  
FY 2001  
in Full-Time Equivalent (FTE) Hours**

Outcome Objective by CFTC Goal	FY 2001 FTEs
<b>GOAL ONE: Protect the economic functions of the commodity futures and option markets.</b>	
<b>Outcome Objectives</b>	
1.1 Foster futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	108.64
1.2 Oversee markets which can be used effectively by producers, processors, financial institutions and other firms for the purposes of price discovery and risk shifting.	11.17
<b>Subtotal Goal One</b>	<b>119.81</b>
<b>GOAL TWO: Protect market users and the public.</b>	
<b>Outcome Objectives</b>	
2.1 Promote compliance with and deter violations of federal commodities laws.	139.60
2.2 Require commodities professionals to meet high standards.	13.83
2.3 Provide a forum for effectively and expeditiously handling customer complaints against persons or firms registered under the Act.	14.10
<b>Subtotal Goal Two</b>	<b>167.53</b>
<b>GOAL THREE: Foster open, competitive, and financially sound markets.</b>	
<b>Outcome Objectives</b>	
3.1 Ensure sound financial practices of clearing organizations and firms holding customer funds.	24.47
3.2 Promote and enhance effective self-regulation of the commodity futures and option markets.	72.58
3.3 Facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions.	27.66
3.4 Promote markets free of trade practice abuses.	28.05
<b>Subtotal Goal Three</b>	<b>152.76</b>
<b>Unallocated</b>	
Unallocated & Prorated	144.90
<b>Subtotal Unallocated</b>	<b>144.90</b>
<b>TOTAL</b>	<b>585.00</b>

## **Part II: Priorities & Accomplishments**

**Summary of Priorities by Agency Goal: *Second Quarter, FY 2001***

<b><i>Goal One: Protect the economic functions of the commodity futures and option markets.</i></b>	
<b>Division/Office</b>	<b>Priority Items</b>
Trading & Markets	Implementation of the Commodity Futures Modernization Act (CFMA) BrokerTec NexTrade
Economic Analysis	Implementation of the CFMA Regulatory Reform Implementation Liquidity and Efficiency of Index Futures Markets Designation Applications Evaluation of Alternative Execution Procedures in Futures Markets Foreign Stock Index Reviews FY 2002 Census of Agriculture Electronic Exchange Database Securities Futures
Enforcement	Due to the confidential nature of its work, the Division of Enforcement does not list its priorities for the upcoming quarter. See the <i>Accomplishments</i> section for recent work completed by the Division of Enforcement.
General Counsel	Regulatory and Legislative Matters Implementation of the CFMA
Executive Director	Systems Development Projects
Legislative & Intergov'tal Affairs	Legislative Support Activities Liaison Activities

<b><i>Goal Two: Protect market users and the public.</i></b>	
<b>Division/Office</b>	<b>Priority Items</b>
General Counsel	Opinions Litigation Freedom of Information Act Ethics Inspector General
Trading & Markets	Sharing Information with Other Federal Agencies Foreign Currency
Enforcement	Due to the confidential nature of its work, the Division of Enforcement does not list its priorities for the upcoming quarter. See the <i>Accomplishments</i> section for recent work completed by the Division of Enforcement.

<b><i>Goal Three: Foster open, competitive, and financially sound markets.</i></b>	
<b>Division/Office</b>	<b>Priority Items</b>
Trading & Markets	Regulatory Reform: <ul style="list-style-type: none"> <li>– Exchanges and Clearing-Houses</li> <li>– Denomination of Customer Funds and Location of Depositories</li> </ul> Commodity Trading Advisor (CTA) and Commodity Pool Operator (CPO) Performance Reporting and Disclosure Issues Offsetting Customer Deficits in the Segregation Account with Readily Marketable Securities Automated Trading Systems Klein Futures

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**COMMODITY FUTURES TRADING COMMISSION: QUARTERLY PERFORMANCE REVIEW**

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Enforcement	Due to the confidential nature of its work, the Division of Enforcement does not list its priorities for the upcoming quarter. See the <i>Accomplishments</i> section for recent work completed by the Division of Enforcement.
International Affairs	International Organization of Securities Commissions (IOSCO) International Initiatives Information Sharing Technical Assistance International Regulators Meeting
General Counsel	Regulatory and Legislative Matters Foreign Stock Index Futures Contracts De-Mutualization

<b>All Goals</b>	
<b>Division/Office</b>	<b>Priority Items</b>
Executive Director	Intranet Information Resources Management Technology Advances Special Events and Training Human Resources Initiatives and Activities Administrative Services and Space Management Financial Management



## Division Priorities by Agency Goal: Second Quarter, FY 2001

<b><i>Goal One: Protect the economic functions of the commodity futures and option markets.</i></b>
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### Division of Trading & Markets (T&M) — Goal One Priorities:

**Implementation of the Commodity Futures Modernization Act (CFMA)** – Division staff will draft final rules for Commission consideration to implement the provisions of the CFMA.

**BrokerTec** – The division is considering an application from BrokerTec for designation as a contract market for the automated trading of various interest rate futures contracts. BrokerTec's application was published in the *Federal Register* on June 9, 2000 for a 30-day comment period (65 FR 36667).

**NexTrade** – The division is considering an application from NexTrade to become a contract market. (Consistent with the CFMA, NexTrade has opted to seek contract market designation status without an initial contract.) NexTrade would utilize the same Internet-based trading system that it currently utilizes as an Electronic Communication Network to trade equity securities.

### Division of Economic Analysis (DEA) — Goal One Priorities:

**Implementation of the CFMA** – Division staff will participate in reviewing the recent changes to the Commodity Exchange Act (CEA or Act) and will draft final rules for Commission consideration to implement the provisions of the CFMA.

**Regulatory Reform Implementation** – Division staff will continue to work with staff of the Division of Trading and Markets and other divisions regarding the establishment of procedures for implementing the new exchange approval provisions of the CFMA. This includes the development of checklists and standards to apply in reviewing applications by entities seeking to become recognized futures exchanges and derivatives transaction facilities and the training of staff so that they can expeditiously process applications.

**Liquidity and Efficiency of Index Futures Markets** – Research staff continue to examine the impact of liquidity cost on option premiums in thin index futures markets and to review alternative techniques on testing the efficiency of index futures option markets.

**Designation Applications** – The division will review applications for contract market designation submitted by new exchanges.

**Evaluation of Alternative Execution Procedures in Futures Markets** – Research staff will continue to examine market integration and fragmentation issues and evaluate the advantages and disadvantages of open-outcry versus electronic trading systems.

**Foreign Stock Index Reviews** – The division will continue its review of four new foreign stock index no-action requests received from the Office of the General Counsel; for the LIFFE (London International Financial Futures and Options Exchange) mini FT-SE 100, the Italian Futures Exchange mini MIB 30, and the MEFF RV's (Spanish Futures Exchange) S&P Europe 350 and S&P Euro stock index futures contracts. Division staff also will continue their economic analysis of the no-action request of the Tokyo Stock Exchange to offer its S&P/Topix 150 futures contract in the US, and the no-action requests of the Bombay Stock Exchange and the National Stock Exchange of India. Most of these reviews should be completed in the second quarter.

**FY 2002 Census of Agriculture** – Market Analysis staff will continue to participate in a data user advisory group established by the US Department of Agriculture to assist in that agency's preparations for the upcoming census of agriculture.

**Electronic Exchange Database** – Division staff continue to input data into its newly created electronic exchange database. The database will be used to track and maintain key information on business-to-business exchanges and transaction execution facilities that are, or appear to be,

offering derivatives products. The database also will serve as a reference source of information about these new entities, some of which may come under Commission oversight under the regulatory reform proposal.

**Securities Futures** -- Division staff will work with other divisions, and the Securities and Exchange Commission (SEC), in developing proposed regulations and operating procedures for securities futures, including margin requirements.

**Office of the General Counsel (OGC) — Goal One Priorities:**

**Regulatory and Legislative Matters** – As the Commission's chief legal advisor, OGC will advise the Commission concerning implementation of the CFMA and will coordinate the Commission's work with the SEC and other agencies to accomplish the joint rulemakings required by the CFMA. OGC will also advise the Commission on other legislative and regulatory matters as appropriate.

**Implementation of the CFMA** – Staff will continue to review changes to the Commodity Exchange Act made by the CFMA and will assist in drafting rules for Commission consideration to implement the provisions of the CFMA. In particular, OGC will draft for Commission consideration rules regarding the privacy of customer information in accordance with the Gramm-Leach-Bliley Act and as required by the CFMA.

**Office of the Executive Director (OED) — Goal One Priorities:**

**Systems Development Projects** – The Office of Information Resources Management (OIRM) will continue the transfer of the Exchange Database System to a client-server environment. In the second quarter, additional functions that were provided on the mainframe version of the system will be made available on the client-server version and errors in the available client-server functions will be corrected.

**Office of Legislative and Intergovernmental Affairs (OLIA) — Goal One Priorities:**

**Legislative Support Activities** – Staff will monitor legislative initiatives and advise the Commission and its staff about proposals that may affect the Commission, the CEA, or the administrative responsibilities of the agency. OLIA staff will pay particular attention to issues and hearings related to the implementation of the CFMA, bills providing appropriations for the Commission, and other legislation that may affect the agency in the performance of its mission.

**Liaison Activities** – OLIA will continue to meet with Congressional staff to keep them informed of Commission actions. Where appropriate, staff will organize briefings for Congressional staff. OLIA will continue to help the Commission respond to requests from the General Accounting Office (GAO) and other federal agencies.

**Division Priorities by Agency Goal: *Second Quarter, FY 2001***

<b><i>Goal Two: Protect market users and the public.</i></b>
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**Office of the General Counsel—Goal Two Priorities:**

**Opinions** – OGC will advise the Commission on the resolution of pending administrative enforcement and reparations appeals and appeals from disciplinary decisions of self-regulatory organizations (SROs).

**Litigation** – OGC will defend the Commission in at least 14 appeals pending at the outset of the second quarter of FY 2001 and in any additional appeals filed during the quarter. In addition, OGC will defend the Commission before the United States district courts in cases that seek to challenge the Commission's enforcement program and its discharge of its regulatory responsibilities. OGC will also defend the Commission in personnel cases and in third-party litigation involving demands for production of Commission records or the testimony of Commission personnel. Finally, OGC will defend the Commission's interests in bankruptcy matters, seeking to protect the non-dischargeability of civil monetary penalties or restitution awards.

**Freedom of Information Act** – During the quarter, staff will continue to advise the Commission on issues raised under the Freedom of Information Act (FOIA), the Privacy Act, and the Government in the Sunshine Act. Staff also will continue to develop procedures to assure timely and accurate review and responses to requests for information under the FOIA, to advise other divisions with respect to accessibility of division documents to specific FOIA requesters, and to respond to administrative appeals under the FOIA and Privacy Act in a timely manner. Staff expect to develop a FOIA training program in cooperation with the FOIA Compliance Office.

**Ethics** – Staff will continue to review and advise on all matters relating to the Commission's ethics standards and compliance with its Code of Conduct and the Office of Government Ethics government-wide regulations. During the quarter, staff anticipates implementing voluntary electronic financial reporting.

**Inspector General** – The office will continue to provide legal counsel to the Commission's Inspector General.

**Division of Trading and Markets—Goal Two Priorities:**

**Sharing Information with Other Federal Agencies** – On January 4, 2001, the Commission approved amendments to Rules 140.72 and 140.73 concerning the delegation to senior staff of the authority to share information with other federal agencies. The amendments were published on January 9, 2001 (66 FR 1574).

**Foreign Currency** – Staff will prepare an Advisory concerning foreign currency trading under the CFMA.

## Division Priorities by Agency Goal: *Second Quarter, FY 2001*

<b><i>Goal Three: Foster open, competitive, and financially sound markets.</i></b>
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### **Division of Trading & Markets—Goal Three Priorities:**

**Regulatory Reform** – The division will evaluate regulatory reform proposals identified by the Commission, the industry, and other interested persons and will identify additional areas where regulations can be modernized and streamlined. Specific issues the division will address are:

- ***Exchanges and Clearing-Houses.*** The division will continue to work on proposals for regulatory reform related to exchanges and clearing-houses. The Commission's previous regulatory framework has been withdrawn and is being revised to conform with the CFMA.
- ***Denomination of Customer Funds and Location of Depositories.*** The Commission published a concept release on December 30, 1997 to obtain the views of the public on how to address the risks related to holding segregated funds offshore or in foreign currencies (62 FR 67841). Division staff will continue informal discussions with industry participants concerning a proposed rule.

**CTA and CPO Performance Reporting and Disclosure Issues** – Staff has analyzed comments and will recommend for Commission approval a final rule regarding CTA and commodity pools rate-of-return and disclosure issues.

### **Offsetting Customer Deficits in the Segregation Account with Readily Marketable**

**Securities** – Staff will analyze comments and prepare a final amendment to Rule 1.32 to permit an FCM to offset a customer deficit in the segregation account with readily marketable securities deposited by such a customer.

**Automated Trading Systems** – The staff will evaluate the request for no-action relief filed by the London Metal Exchange with respect to access to its automated trading systems from within the US.

**Klein Futures** – The division is preparing a report and appropriate recommendations on events leading to the problems at Klein Futures & Co.

### **Office of International Affairs (OIA)—Goal Three Priorities:**

**IOSCO** – OIA will continue to coordinate Commission activities within the IOSCO Technical Committee and working groups, including an examination of transparency and market fragmentation issues and equity index derivatives contract design issues within the Working Party on Secondary Markets; continue to work with the Implementation Task Force on the completion of a regulatory survey measuring international compliance with IOSCO core regulatory principles on secondary markets, as well as evaluating survey compliance; and continue work on the Internet Task Force.

**International Initiatives** – OIA will continue to provide comment and guidance upon request to US Treasury staff regarding the Financial Stability Forum and other initiatives to strengthen global financial cooperation.

**Information Sharing** – OIA will continue to work on information-sharing arrangements for regulatory purposes with French authorities.

**Technical Assistance** – OIA will continue to organize technical assistance activities, including completion of a statement of cooperation and technical assistance with Chinese regulatory authorities.

**International Regulators Meeting** – OIA will organize the March 2001 International Regulators Meeting.

**Office of the General Counsel (OGC) — Goal Three Priorities:**

**Regulatory and Legislative Matters** – As the Commission's chief legal advisor, OGC will continue to advise the Commission concerning the implementation of the CFMA, as well as assist in implementing rules, regulations, and studies as required by the legislation. In particular, OGC will coordinate the Commission's work with the SEC and other agencies to accomplish the joint rulemakings required by the CFMA. Finally, the staff will continue to develop responses to requests from members of Congress.

**Foreign Stock Index Futures Contracts** – The staff will continue to work with SEC staff regarding the disposition of requests to permit the offer and sale in the US of foreign stock futures contracts in a manner consistent with the provisions of the CFMA.

**De-Mutualization** – The staff will continue to assist in the consideration of the proposal from the CBT to convert the exchange from a not-for-profit membership organization to a for-profit entity.

**Division Priorities by Agency Goal: *Second Quarter, FY 2001***

<i>All Goals</i>
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**Office of the Executive Director (OED)—All Goals Priorities:**

**Intranet** – OED will continue development and implementation of new features of the Commission's intranet. Implementation of CFTC Docs, the Commission's document management system, will continue throughout the quarter.

**Information Resources Management** –TRW, a Commission contractor, will start providing systems development services in support of the Commission's mission-critical information systems, the Integrated Surveillance System (ISS) and the Exchange Database System (EDBS). OIRM will coordinate TRW's introduction to these systems and harmonize the contractor's efforts with related efforts of CFTC personnel. OIRM and OFM will initiate procurement of services for implementation of the Target Exchange Database System (TEDS) to provide enhanced trade practice surveillance support. Evaluation of proposals for litigation support will be completed. Redesign of the CFTC Internet Web site will be completed; the redesigned Web site will be in compliance with the new accessibility requirements of Section 508 of the Rehabilitation Act Amendments of 1998.

**Technology Advances** – OHR will complete preparations to implement the National Finance Center (NFC) System for Time and Attendance Reporting (STAR) to replace PC-TARE. Using Microsoft Access, OHR will develop a new system to track SF52s (the request for personnel action forms). OHR will develop a system which will give Commission staff the ability to prepare and maintain annual financial interest forms online. OHR will perform maintenance on the training web page.

OFM will continue to work with the Department of Interior (DOI), the Office of Administrative Services (OAS), and OIRM on development of an agency-wide plan to implement a Fixed Assets Subsystem integrated with the Commission's Federal Financial System (FFS). OFM will also participate in the completion of procurement action for litigation support software. A decision on award/recompetition will be made the second quarter.

**Special Events and Training** – OHR will look into the feasibility of actively recruiting law students to work at the Commission as volunteer interns. Interns would obtain work experience and there would also be a formal education component to these positions. OHR will begin preparation of the Summer Intern/Employment Program. Retirement planning sessions will be conducted in Chicago, New York and Washington, DC. OHR will begin to draft a telecommuting policy for the CFTC. OHR will continue to conduct health screenings and seminars and develop new screenings and seminars on topics of interest to employees. OHR will continue plans and preparation for a Spring Alternative Dispute Resolution (ADR) training session. OHR will finalize plans for a Smoking Cessation Program. OHR will finalize the Commission's projected FY 2001 Training Budget.

**Human Resources Initiatives and Activities** – OHR will issue initial detailed information to all employees on Federal Employees Retirement Coverage Correction Act (FERCCA) procedures. To assist in succession/workforce planning, OHR will key employees into new organizational codes, review personnel actions, distribute SF-50s and prepare organizational reports. OHR will participate in an OPM study of agency job analysis/recruitment practices. Pending regulatory changes to the Thrift Savings Plan (TSP) will be implemented, once the Thrift Board issues guidance. OHR will implement agency restructuring to reflect CFMA changes, including changes to OHR systems, procedures, and publications. In concert with the Equal Employment Opportunity (EEO) staff, OHR will revise and implement draft a 5-year plan on hiring employees with disabilities, per input from the Office of Personnel Management (OPM). Employee exit survey data collected in 2000 will be analyzed. OHR will conduct the annual internal audit of the Delegated Examining Unit (DEU). OHR will work with Administrative Officers to produce the second annual recruitment plan for each area serviced. OHR will decide on accepting an OPM

offer of delegated testing authority for entry-level administrative occupations. OHR will implement revised DEU internal procedures upon pending publication by OPM of the delegated examining manual. OHR will implement an electronic file of agency position descriptions. OHR will prepare for the implementation of group retention allowances for attorneys and economists. OHR will develop procedures outlined in OPM regulations for the Federal Career Intern Program to utilize excepted service hiring authority at grades 5, 7, and 9. ADR outreach will continue. OHR will begin to draft a *Violence in the Workplace* issuance.

**Administrative Services and Space Management** – To facilitate the removal of excess property, OAS will implement a contract for miscellaneous moving services. Additional cameras will be installed in the lobby of the Headquarters building to provide security for the agency's main conference rooms. New credentials and agency identification cards will be provided to all agency staff.

**Financial Management** – OFM will provide the President's Budget submission to the Office of Management and Budget (OMB) based on guidance that will be provided in the second quarter. OFM is preparing for FY 2002 Congressional Appropriation Hearings with the development of the Historical Documents and Analysis Budget Briefing Book and the Question and Answers Briefing Book. The first quarter Quarterly Performance Review and Management Account Structure Code Report (MASC) will be issued. In addition, OFM will make edits to the Payroll reports, MASC reports, Travel Manager, Employment Analysis and the Federal Financial System (FFS), among others, based on the CFTC-wide organizational structure changes designed by OHR in December. OFM will begin the restructuring of its myriad reports and systems to accommodate changes associated with the CFMA. OFM will issue guidance on changes in the Transit Subsidy Program. OFM will coordinate a meeting of OMB officials and Offices of the Chairman on implications of the CFMA. In addition, OFM anticipates exercising CFTC's option for an extension of the Chicago lease for an additional five years. Negotiation and possible competition of this requirement will be initiated.

Summary of Accomplishments by Agency Goal: *First Quarter, FY 2001*

<b>Goal One: Protect the economic functions of the commodity futures and option markets.</b>	
<b>Division/Office</b>	<b>Areas of Accomplishment</b>
Economic Analysis	Contract Market Designations Staff Task Force on Regulatory Reform Regulatory Issues of Single Stock Futures Evaluation of Alternative Execution Procedures in Futures Markets Milk Futures Price Volatility Study Commitments of Traders Report Large Trader Reporting Dow Jones Internet Composite Index Futures and Option Contracts Tracking and Maintaining Information Rule Change Procedures North American Industrial Classification System
Legislative & Intergov'tal Affairs	Legislative Support Activities Liaison Activities
Enforcement	Trade Practice Cases and Results
General Counsel	Legislative Support Activities Staff Task Force on Regulatory Reform
Trading and Markets	OnExchange Board of Trade

<b>Goal Two: Protect market users and the public.</b>	
<b>Division/Office</b>	<b>Areas of Accomplishment</b>
General Counsel	Commission Opinions and Orders Litigation Freedom of Information Act Ethics
Trading and Markets	Secured Amount
Enforcement	Quick-Strike Cases Pool Fraud Case Results Violations of Commission Orders – Results

<b>Goal Three: Foster open, competitive, and financially sound markets.</b>	
<b>Division/Office</b>	<b>Areas of Accomplishment</b>
Trading & Markets	Expansion of Permissible Investments for Segregated Customer Funds Capital Charge on Unsecured Foreign Broker Receivables NFA's Compliance Rule 2-35(d) Extension of Time to File Fund of Funds Reports Offsetting Customer Deficits in the Segregation Account with Readily Marketable Securities Automated Trading Systems
Enforcement	Position Limits Case
International Affairs	International Cooperative Arrangements IOSCO International Initiatives Technical Assistance



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**COMMODITY FUTURES TRADING COMMISSION: QUARTERLY PERFORMANCE REVIEW**

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General Counsel	Foreign Stock Index Futures Contracts
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<b>All Goals</b>	
<b>Division/Office</b>	<b>Areas of Accomplishment</b>
Executive Director	Information Resources Management Technology Advances Special Events and Training Human Resources Initiatives and Activities Administrative Services and Space Management Financial Management

## Division Accomplishments By Agency Goal: *First Quarter, FY 2001*

<b><i>Goal One: Protect the economic functions of the commodity futures and option markets.</i></b>
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### Division of Economic Analysis—Goal One Accomplishments:

**Contract Market Designations** – The Commission approved the designation application of OnExchange Board of Trade and approved that exchange's four-year US Treasury note futures contract.

**Staff Task Force on Regulatory Reform** – Division staff participated in the task force on the Commodity Exchange Act and Commission regulations. The final report, *A New Regulatory Framework*, was made available to the general public on the Commission's Web site on February 26, 2000. Final rules were approved by the Commission on November 21, 2000. They were published in the *Federal Register* on December 13, 2000, and were partially withdrawn on December 28, 2000 after the passage of the CFMA on December 15, 2000.

**Regulatory Issues of Single Stock Futures** – Research and Market Analysis staff examined the behavior of the trading volume of select stock futures to the trading volume of corresponding underlying stocks in the following foreign jurisdictions: Australia, Sweden, Hungary, and Hong Kong. Initial empirical evidence does not support the hypothesis that the introduction of single stock futures would reduce the trading volume of the underlying stock.

**Evaluation of Alternative Execution Procedures in Futures Markets** – Research staff studied the realized bid-ask spreads of S&P 500 index futures and e-mini S&P 500 futures. Initial results of the study suggest that the average of bid-ask spreads of e-mini S&P 500 futures is higher than the average of S&P 500 futures on an equal value basis.

**Milk Futures Price Volatility Study** – Division staff completed a Congressionally-mandated study of the impact of maximum daily price limits on price volatility for milk futures contracts. As directed by Congress, the study compared the relationship between milk futures price limits and milk futures price volatility to the relationship of price limits and price volatility for other major agricultural futures contracts for the years 1996 through 1999. The study found that the price limits for the milk futures contracts do not appear to have materially affected the trading activity or commercial use of the contracts. The study also determined that no definitive conclusions could be drawn regarding the price volatility of milk futures contracts relative to the price volatility of other major agricultural futures contracts, since the ranking of the price volatility of milk prices relative to other agricultural commodities varied among the different volatility measures considered in the study. The Commission forwarded the study to Congress on December 14, 2000.

**Commitments of Traders Report** – Beginning in October 2000, division staff began publishing the futures-only *Commitments of Traders* reports weekly rather than biweekly. At the same time, a new *Backgrounder* explaining the report was posted on the Commission's Web site.

**Large Trader Reporting** – The exchanges, with one exception, are now providing settlement prices and delta factors on a more timely basis. The remaining exchange currently is testing an earlier submission of all its data. OIRM instituted some modifications to the integrated surveillance system that significantly improved response time on some queries. Staff will continue to work with OIRM to improve the performance of other aspects of the new client-server surveillance system.

**Dow Jones Internet Composite Index Futures and Option Contracts** – The division suspended its review of the Chicago Board of Trade (CBT) designation applications on the Dow Jones internet composite index futures and option contracts. The CBT requested that the review period be stayed pending the completion of revisions to the index by Dow Jones.

**Tracking and Maintaining Information** – Division staff completed a database for tracking and maintaining key information on new exchanges and transaction execution facilities that are, or appear to be, offering futures-like products. The database will serve as a source of reference information about these new entities, some of which may come under Commission oversight under CFMA.

**Rule Change Procedures** – Proposed revisions to the expedited rule approval procedures were first published in the *Federal Register* on July 15, 1999. An amended proposal, which was partially withdrawn in December 2000, was published on June 22, 2000, as part of the Commission's proposed rulemaking on regulatory reform.

**North American Industrial Classification System** – Market Analysis staff participated in a project regarding the identification and classification of financial products and services by the Finance Subcommittee of the Economic Classification Policy Committee.

**Office of Legislative & Intergovernmental Affairs—Goal One Accomplishments:**

**Legislative Support Activities** – OLIA responded to numerous requests from Congress involving the passage of the CFMA. The Act reauthorizes and amends the CEA to promote legal certainty, enhance competition, and reduce systemic risk in markets for futures and over-the-counter derivatives, and for other purposes.

**Liaison Activities** – OLIA continued to provide liaison for the Commission with GAO, including their work on new studies of the effects of market restructuring on self-regulation, personnel practices, and penalties.

**Division of Enforcement—Goal One Accomplishments:**

**Trade Practice – Fraudulent Trade Allocation Cases** – The Enforcement program has continued to pursue actions that address specific types of fraudulent trade practices affecting the interests of customers and the integrity of futures markets. For example, during the first quarter of FY 2001, the Enforcement program filed the following cases in this practice area:

- *In re US Securities & Futures Corp.* - On October 26, 2000, the Commission filed an administrative complaint against US Securities & Futures Corp. (USSFC), a New York FCM, and Justus Enterprises, Inc. (Justus), a New York CTA, as well as certain of their respective officers and employees. The complaint alleged that between 1996 and 1998, USSFC and Justus, through their employees, facilitated the defrauding of customers by Currency and Commodity Broker GmbH (CCB), a German foreign broker that traded through USSFC, by fraudulently allocating thousands of customer trades after they were executed. According to the complaint, at day's end CCB allocated winning trades to newer accounts and losing trades to older ones, and then persuaded new "winning" customers to invest substantial additional sums. As further alleged, Justus, at CCB's direction, placed hundreds of unallocated trades each day through USSFC. The complaint alleged that USSFC accepted orders from the Justus traders without account identification even when it was apparent that post-execution allocation of the trades was not fair or equitable. As alleged in the complaint, USSFC assisted CCB and Justus in obtaining approximately \$11 million in commissions on some 90,000 unallocated futures orders while earning more than \$2 million for itself. At the same time, customers lost more than \$19 million in more than 700 accounts. *In re US Securities and Futures Corp., et al.*, CFTC Docket No. 01-01 (CFTC filed Oct. 26, 2000).
- *CFTC v. Brown and Thompson, et al.* - On November 21, 2000, the Commission filed a civil injunctive complaint charging Martin Brown and Geoffrey S. Thompson with fraud. Specifically, the complaint alleged that from at least February until October 2000, Brown and Thompson engaged in a scheme to fraudulently allocate profitable trades to accounts belonging to relief defendants Brenda L. Brown, Prairie Garden Condos, and Javette L. King, while allocating unprofitable trades to other customers. According to the complaint, during the period of the alleged scheme, the relief defendants' accounts amassed approximately \$1.5 million in profits. *CFTC v. Martin Brown and Geoffrey S. Thompson*, No. 00-C-7344 (N.D. Ill. filed Nov. 21, 2000). The same day the complaint was filed, the U.S. District Court for the Northern District of Illinois entered a statutory restraining order freezing the assets and

preserving the books and records of the defendants. *CFTC v. Martin Brown and Geoffrey S. Thompson*, No. 00-C-7344, Order (N.D. Ill. entered Nov. 21, 2000).

**Trade Practice – Fraudulent Trade Allocation Results –**

- *In re Bengson*, CFTC Docket No. 00-21, Order Making Findings And Imposing Remedial Sanctions (CFTC filed Oct. 2, 2000) (fraudulent trade allocation by former registered Associated Person (AP) of an FCM; without admitting or denying the findings, Bengson consented to the entry of the Commission order that directed that Bengson cease and desist from further violations, as charged, imposed a civil monetary penalty in an amount up to \$110,000, pursuant to a payment plan based on his future income, prohibited Bengson from trading on or subject to the rules of any contract market, and required that Bengson never seek registration in any capacity).

**Office of the General Counsel—Goal One Accomplishments:**

**Legislative Support Activities** – As the Commission's chief legal advisor, OGC advised the Commission concerning proposed legislation to amend the CEA and other legislative and regulatory matters. OGC negotiated with other federal financial regulators, including the SEC, the US Treasury, and the Federal Reserve Board, as well as members of Congress and their staffs to develop legislative proposals to promote legal certainty in the over-the-counter derivatives markets, to provide regulatory reform for domestic futures exchanges, and to amend the Shad-Johnson Accord. These efforts culminated with the enactment of the CFMA, which was signed into law on December 21, 2000.

**Staff Task Force on Regulatory Reform** – Staff continued to participate in the work of the task force on the CEA and Commission regulations. Final rules were approved by the Commission on November 21, 2000. They were published in the *Federal Register* on December 13, 2000, and were partially withdrawn on December 28, 2000 after the passage of the CFMA on December 15, 2000.

**Division of Trading and Markets—Goal One Accomplishments:**

**OnExchange Board of Trade** – On December 22, 2000, the Commission designated onExchange as a contract market and registered its clearing organization, the onExchange Clearing Corporation, as a derivatives clearing organization. OnExchange will utilize an Internet-based trading system that will be limited to proprietary trading by trading privilege holders. OnExchange was the first contract market to become designated under the CEA as it was amended by the CFMA on December 21, 2000. The exchange will initially trade Five-year US Treasury securities futures contracts.

## Division Accomplishments By Agency Goal: *First Quarter, FY 2001*

<b><i>Goal Two: Protect market users and the public.</i></b>
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### Office of the General Counsel—Goal Two Accomplishments:

**Commission Opinions and Orders** – OGC assisted the Commission in deciding administrative adjudicatory matters. The Commission issued decisions addressing issues raised in two enforcement cases, three reparations cases, and two self-regulatory organization cases. The decision in *Dubois v. Alaron Trading Group*, CFTC Docket No. 95-R152 addressed application of the Treasury Amendment (Section 2(a)(1)(A)(i) of the CEA) in the context of a reparations claim for the first time. In affirming a Judgment Officer's award of damages to complainant, the Commission reiterated its prior view that for purposes of the Treasury Amendment, an entity providing a centralized and public trading facility for the purchase and sale of standardized foreign currency futures contracts amounted to a board of trade. The Commission's decision also addressed an issue of first impression involving the circuit court law it would follow in evaluating issues in reparations cases that included a telephonic hearing. The Commission held that it would apply precedent from the United States Court of Appeals for the DC Circuit because it deemed the location of telephonic hearings to be Washington DC.

**Litigation** – The Commission succeeded in obtaining dismissal of two cases before the US Supreme Court that sought to challenge rulings favorable to the Commission. *R&W Technical Services v. CFTC*, No. 99-1883 (S. Ct.), *Elliott, et al. v. CFTC*, No. 00-259 (S. Ct.). The Commission also obtained favorable rulings in *Commodity Trend Service, Inc. v. CFTC*, 233 F.3d 981 (7<sup>th</sup> Cir. 2000) (affirming the applicability of section 4o to the activities of a seller of impersonal trading advice) and *CFTC v. Colton*, No. 00-135-68 (11<sup>th</sup> Cir. 2000). In addition, Courts of Appeals approved the Commission's recommended settlement in *Agora, Inc., v. CFTC*, No. 00-1819 (4<sup>th</sup> Cir.) and the Commission's request for remand in *Scott v. CFTC*, No. 00-14417-G (11<sup>th</sup> Cir.). The Commission also succeeded in obtaining dismissal of a district court action that sought to bar an ongoing enforcement proceeding, *Radcliffe v. CFTC*, No. 2:00-CV-34 (E.D. Tenn.). Finally, the Commission successfully settled two personnel matters.

In addition, OGC defended the Commission in eight other appeals that were briefed, argued, or the subject of court-ordered mediation during the quarter. OGC also defended the Commission in several continuing district court matters, including *Rickerson v. CFTC*, No. 00-0701-CV (W.D. Mo.), *Inskeep v. MeesPierson*, No. 00 C 2056 (N.D. Ill.) (appeal from Bankruptcy Court decision invalidating regulation), *Taucher v. Rainer*, No. 1:97CV01711(RMU)(D.D.C.) (attorney fees case), and *Forkkio v. Rainer*, No. 1:00CV0118710330(D.D.C.).

Finally, OGC defended the Commission's interests in third-party district court litigation, primarily matters involving demands for Commission records or for the testimony of Commission personnel.

**Freedom of Information Act** – Staff advised the Commission on issues arising under the FOIA and the Privacy Act and counseled the divisions in connection with FOIA requests for documents. Staff continued to oversee the review and production of documents related to the Sumitomo and Merrill Lynch proceedings and to work with outside counsel on related subpoenas.

**Ethics** – Staff provided counseling to Commission staff in connection with the preparation and filing of annual financial disclosure documents, and reviewed and approved a number of disclosure documents. In addition, the office has commenced a review of the Commission's ethics program and responsibilities with a view to making changes in staffing and procedures, and in cooperation with OHR, is preparing to implement procedures for electronic filing of financial disclosure reports. Staff also provided annual ethics training to all employees.

**Division of Trading and Markets—Goal Two Accomplishments:**

**Secured Amount** – Staff prepared a revised interpretation of the foreign futures or options secured amount requirement set forth in Rule 30.7. Staff also prepared a proposed order amending previous orders issued under Rule 30.10 concerning the treatment of such funds by firms exempt from FCM registration in accordance with those orders. The revised interpretation and new orders were published on October 11, 2000 (65 FR 60558 and 60560, respectively).

**Division of Enforcement—Goal Two Accomplishments:**

**Quick-Strike Cases** – The Commission is committed to responding quickly to enforcement investigations that uncover ongoing fraud. Quick-strike cases are civil injunctive actions that generally are filed in Federal district courts within days or weeks of the discovery of the illegal activity, enabling the program to stop fraud at an early stage and to attempt to preserve customer funds.

- *CFTC v. Brown and Thompson, et al.* - On November 21, 2000, the Commission filed a civil injunctive complaint charging Martin Brown and Geoffrey S. Thompson with fraud. Specifically, the complaint alleged that from at least February until October 2000, Brown and Thompson engaged in a scheme to fraudulently allocate profitable trades to accounts belonging to relief defendants Brenda L. Brown, Prairie Garden Condos and Javette L. King, while allocating unprofitable trades to other customers. According to the complaint, during the period of the alleged scheme, the relief defendants' accounts amassed approximately \$1.5 million in profits. *CFTC v. Martin Brown and Geoffrey S. Thompson*, No. 00-C-7344 (N.D. Ill. filed Nov. 21, 2000). The same day the complaint was filed, the U.S. District Court for the Northern District of Illinois entered a statutory restraining order freezing the assets and preserving the books and records of the defendants. *CFTC v. Martin Brown and Geoffrey S. Thompson*, No. 00-C-7344, Order (N.D. Ill. entered Nov. 21, 2000).
- *CFTC v. Stephens, et al.* - On October 24, 2000, the Commission filed a civil injunctive action charging defendants James Stephens III and Trendsystems, Inc., both of Americus, Georgia, with committing commodity futures and options fraud and with unlawful solicitation of customer funds. Specifically, the Commission's complaint alleged that Trendsystems, a registered CTA, and Stephens, a registered AP of Trendsystems, solicited customers to open managed accounts to be traded by Trendsystems, and that at least some of these investors gave Trendsystems power of attorney over their accounts. According to the complaint, defendants then misappropriated client funds, falsely misrepresented to clients that Trendsystems was profitably trading on their behalf, issued false statements to clients reflecting purported profits earned for them, and unlawfully solicited and accepted client funds directly into Trendsystems' bank account. On the same day the Commission's complaint was filed, the United States District Court for the Middle District of Georgia entered an *ex parte* restraining order freezing the assets and preserving the books and records of Trendsystems and Stephens. *Commodity Futures Trading Commission v. Stephens, et al.*, No. 1:00-CV-0184-4 (M.D. Ga. entered Oct. 24, 2000). On November 7, 2000, the Commission obtained a consent order of preliminary injunction barring defendants from violations of the Act or Commission regulations and a second order maintaining the freeze on various assets covered by the Court's *ex parte* restraining order. *Commodity Futures Trading Commission v. Stephens, et al.*, No. 1:00-CV-0184-4 Consent Order of Preliminary Injunction and Other Equitable Relief (M.D. Ga. entered Nov. 7, 2000); *Commodity Futures Trading Commission v. Stephens, et al.*, No. 1:00-CV-0184-4 Consent Order Partially Unfreezing Bank Account of Defendant James E. Stephens, III (M.D. Ga. entered Nov. 7, 2000).

**Pool Fraud Case Results** – During the first quarter of FY 2001, the enforcement program filed the following cases in the area of pool fraud:

- *In re Fleyshmaker* - On November 29, 2000, the Commission filed an administrative complaint against Isaac Fleyshmaker, charging him with unauthorized trading, misappropriating funds of the New Frontier and New Millennium commodity pools, and failing to register as a CPO. Specifically, the complaint alleged that from July 1998 through February 2000, Fleyshmaker defrauded investors in the New Frontier pool by transferring some of their funds, which had been solicited to trade securities, into a commodity trading account without their knowledge or consent. With respect to New Millennium, the complaint alleged that Fleyshmaker defrauded investors by making false statements about the pool's purported performance record when, in fact, the pool had never traded commodities or securities. The complaint also alleged that Fleyshmaker misappropriated pool funds by retaining service fees despite having performed no legitimate trading services for investors. *In re Fleyshmaker*, CFTC Docket No. 01-04 (CFTC filed Nov. 29, 2000)
- *CFTC v. John F. O'Herron and O'Herron Asset Management, Inc.* - On December 14, 2000, the Commission filed a civil injunctive complaint charging John F. O'Herron of Onekama, Michigan, and O'Herron Asset Management, Inc. (OAM), a Michigan corporation, with fraudulently operating a commodity pool and registration violations. Specifically, the complaint alleged that, since at least January 1998 and continuing through the present, O'Herron solicited, accepted, and pooled at least \$2.7 million from approximately 27 investors, mostly Michigan residents, for the purported purpose of trading commodity futures. The complaint alleged that, among other things, O'Herron misappropriated funds received from investors and used them for personal expenses, misrepresented his past trading success to potential investors, fraudulently made promises of highly profitable trading while claiming to be able to limit risks, and issued false monthly statements to investors. The complaint also alleged that O'Herron and OAM failed to register as CPOs. *CFTC v. O'Herron, et al.*, Civil Action No.: 1:00 CV 913 (W.D. Mich. filed Dec. 14, 2000). On December 21, 2000, the US District Court for the District of Michigan entered a restraining order against O'Herron and OAM, freezing their assets, preventing the destruction or alteration of their books and records, and prohibiting further violations of the Commodity Exchange Act and CFTC regulations. *CFTC v. O'Herron, et al.*, Civil Action No.: 1:00 CV 913 (W.D. Mich. entered Dec. 21, 2000).

**Violations of Commission Orders - Results** – During the first quarter of FY 2001, the Commission obtained results in the following enforcement actions previously filed in this area:

- *CFTC v. Marchiano, et al.*, No. 98-6564-CIV-SEITZ, Consent Order of Permanent Injunction (S.D. Fla. entered Nov. 3, 2000) (acting as a principal and AP of a registered Introducing Broker (IB) without registering with the Commission and in violation of a prior Commission settlement order; the court permanently enjoined the remaining defendant, Gary Valetta, from further violations, as charged, and from acting in a registered capacity for two years).

**Division Accomplishments By Agency Goal: *First Quarter, FY 2001***

<i>Goal Three: Foster open, competitive, and financially sound markets.</i>
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**Division of Trading & Markets—Goal Three Accomplishments:**

**Expansion of Permissible Investments for Segregated Customer Funds** – As part its regulatory reform package, the Commission amended Rule 1.25 to provide for an expanded list of permissible investments of customer funds by FCMs and clearing organizations. The general effective date for the regulatory reform package, which has now been withdrawn (except for Rule 1.25), was to be February 12, 2001 (see 65 FR 77993, 78001, and 78010, published December 13, 2000). In response to a request from the Futures Industry Association (FIA), staff recommended acceleration of the effective date of the amendments to Rule 1.25. The revised effective date was December 28, 2000, which was announced in a *Federal Register* notice published that day (65 FR 82270).

**Capital Charge on Unsecured Foreign Broker Receivables** – On November 7, 2000, the Commission published a final rule amendment to Rule 1.17 which expands the current exemption from the five percent capital charge for unsecured foreign broker receivables (65 FR 66618). The amendment modifies the net capital treatment of unsecured receivables from foreign brokers to provide greater parity between FCMs and Rule 30.10 firms.

**National Futures Association's (NFA's) Compliance Rule 2-35(d)** – On October 2, 2000, the Commission published final amendments to Rules 4.2, 4.21, 4.26, and 4.36 (65 FR 58648). These amendments accommodate NFA's Compliance Rule 2-35(d) that permits CPOs to provide a summary profile document to prospective pool participants before giving them the pool's complete disclosure document. Certain technical changes also were adopted to rules relating to CPOs and CTAs.

**Extension of Time to File Fund of Funds Reports** – On December 26, 2000, the Commission published a final rule establishing expedited procedures for CPOs of pools that invest in other collective investment vehicles to file claims for extension of time to file annual reports (65 FR 66603).

**Offsetting Customer Deficits in the Segregation Account with Readily Marketable Securities** – On October 31, 2000, the Commission published a proposed amendment to Rule 1.32 to permit an FCM to offset a customer deficit in the segregation account with readily marketable securities deposited by such a customer (65 FR 64904). The rule amendment would expand no-action letters that limit securities that an FCM may use to offset customer deficits to US Treasury instruments and certain Canadian government debt instruments.

**Automated Trading Systems** – The division issued a no-action letter to Eurex Zurich Ltd. (Eurex CH) on November 16, 2000 in connection with the placement of terminals in the US to provide access to the Eurex CH automated trading system.

**Division of Enforcement—Goal Three Accomplishments:**

**Position Limits Case** – During the first quarter of FY 2001 the enforcement program filed an administrative complaint in the area of position limits:

- *In re Mersch* - On November 7, 2000 the Commission filed an administrative complaint against Frederick J. Mersch, a commodities trader from Iowa, alleging that he exceeded trading limits for CME pork belly contracts on five separate dates while trading for his own account and on behalf of others. Specifically, the complaint alleged that between August 2, 1996 and March 31, 1999, Mersch traded his own account, accounts carried in the name of his wife and four children, and the accounts of three other acquaintances. According to the complaint, futures positions controlled by Mersch, when aggregated, exceeded position limits for Chicago Mercantile Exchange (CME) frozen pork belly futures on five separate days. In addition, the complaint alleged that Mersch failed to disclose his control of certain family and



acquaintance accounts, that he failed to update one of his inaccurate reports, and that he held and traded positions while the report remained inaccurate. *In re Mersch*, CFTC Docket No. 01-02 (CFTC filed Nov. 7, 2000).

**Office of International Affairs – Goal Three Accomplishments:**

**International Cooperative Arrangements** – On December 12, 2000, the CFTC and the Commodities' Exchanges Commission of the Ministry of the Russian Federation for Anti-Monopoly and Support of Entrepreneurship signed a joint statement regarding cooperation, consultation, and the provision of technical assistance.

**IOSCO** – OIA staff continued to coordinate the Commission's activities within the Technical Committee of IOSCO. During the quarter, IOSCO approved two documents to which OIA staff contributed: revised *Principles for the Oversight of Screen-Based Trading Systems for Derivative Products*, which added four new principles to enhance cross-border cooperation, and a consultation document, *IOSCO/CPSS Recommendations for Securities Settlement Systems*, prepared by IOSCO and the Committee on Payment and Settlement Systems.

OIA staff continued to participate in Technical Committee drafting groups that are preparing surveys for a high-level self-assessment on the extent to which the *Objectives and Principles of Securities Regulation (Core Principles)* have been implemented, and represented the Commission within the following IOSCO Technical Committee working groups and task forces: working groups on secondary markets, working group on intermediaries, and the internet task force.

**International Initiatives** – OIA continued to coordinate the Commission's responses to position papers distributed by the US Treasury Department in connection with its representation on the Financial Stability Forum. OIA also participated in planning activities for US/Taiwan sub-cabinet discussions to be held in October.

OIA participated in the October 2000 subcabinet level discussions between the US Treasury Department and representatives of Taiwan's financial services regulatory agencies.

**Technical Assistance** – OIA organized the October 2000 Training Seminar for International Market Authorities, which was attended by 67 participants from 33 jurisdictions representing 46 different organizations.

**Office of the General Counsel – Goal Three Accomplishments:**

**Foreign Stock Index Futures Contracts** – The staff has continued to work with SEC staff with regard to the disposition of requests to permit the offer and sale in the US of foreign stock index futures contracts.

## Division Accomplishments By Agency Goal: *Fourth Quarter, FY 2000*

<i>All Goals</i>
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### Office of the Executive Director— All Goals Accomplishments:

**Executive Management Council** - The Commission established an Executive Management Council (EMC) to act as an Information Technology strategic planning group at the executive level, as recommended by the management consulting firm, EDS, in the July 2000 Information Technology Assessment. The EMC established priorities for CFTC's information technology investments, including maintenance of all existing information systems, development of a new Exchange Database system, acquisition and implementation of a Litigation Support System, modifications to the Designations and Rules Tracking System (DART), modifications to the automated process for receiving company financial reports, replacement of the current document imaging system, and installation of new desktop computers.

**Information Resources Management** – OIRM selected TRW to provide systems development services in support of the Commission's mission-critical information systems, ISS and the EDBS. Redesign of the CFTC Internet Web site continued. The redesigned Web site will be in compliance with the accessibility requirements of Section 508 of the Rehabilitation Act Amendments of 1998. In the July 2000 Information Technology Assessment, EDS recommended that one-third of the Commission's population of desktop computers be replaced each year. To meet this standard for the 2000 calendar year, 220 desktop computers running the Windows NT operating system were deployed during the first quarter to replace older computers running Windows 95.

**Technology Advances** – OHR developed an Access database to maintain data on agency in-house training and FY 2000 training data has been entered into the database. An interactive registration form for the Leadership Effectiveness Program was developed and posted on the Commission's Intranet. OHR also developed an Access database for administering the annual Financial Reporting program.

OFM continued to work with DOI, OAS, and OIRM on development of an agency-wide plan for implementing a Fixed Assets Subsystem integrated with the FFS. OFM completed testing of the upgrade to the FFS to comply with US Treasury financial statement reporting requirements on budgetary accounts and developed a Bank of America (BOA) ticketed interface. OFM awarded a contract to Northstar, Inc. for computer applications development support pertaining to the 1FR/Electronic Filing System.

**Special Events and Training** – On November 27, 2000, the Commission-wide program, *Retirement Benefits Planning* was initiated; 24 sessions for early, mid-career, and pre-retirement planning are scheduled through May 15, 2001. The FY 2001 Leadership Effectiveness Program, the Commission's Management Training Program, was announced and confirmed with 38 nominees' participation. A seminar on *Professional Liability* was conducted. Twelve Commission-wide Industry/Legal/ Technical training sessions were coordinated and conducted. The reach of the Commission's Employee Resource Center was expanded through the establishment of three satellite offices allowing regional staff to have access to Center materials, the *ResumeMaker* software, and career development resources. Promotion of the Employee Resource Center continued throughout the quarter and several events were held in the Center including orientation/assistance with the use of career development materials, flu shot clinics, transit subsidy distributions, new employee orientation, seminars and health screenings. OHR presented six preventative health screenings events in Washington on stroke, cardiovascular disorders, osteoporosis and blood pressure. Three on-site flu shot clinics were conducted in Washington, DC with 99 employees participating. OHR continued to provide orientation and registration for use of the fitness center in Washington for new employees.

**Human Resources Initiatives and Activities** – OHR provided agency staff with details of changes to pay and benefits effective in January. OHR presented senior staff with options for pay flexibilities and implemented the decision to provide certain staff with retention allowances. OHR conducted the annual Federal Employees Health Benefits (FEHB) Program open season and the biannual TSP open season. The agency's first annual Disability Day, designed for local students seeking career mentoring, was held

with OHR and agency Equal Employment Opportunity staff. Planning continued for the 2001 Summer Program and work continued on the Student Volunteer program planned for implementation in September 2001. OHR implemented the new special pay schedules for federal information technology employees. OHR continued to promote its alternative dispute resolution program and provide alternative dispute resolution outreach. Promotion of the agency's Employee Assistance Program continued. The quarterly Employee Assistance and Wellness Program newsletters were distributed and a memorandum on dealing with stress arising from the holidays was issued. The Commission's annual *Emergency Closure and Dismissal* memorandum and *Emergency Personnel* listing was revised and issued.

OHR provided the following reports to OPM: annual report on Interagency Career Transition Assistance Program activity; agency Plum Book content; quarterly report on Delegated Examining Unit activity; quarterly Schedule C report; and annual Senior Executive Service bonus award report. In addition, a request for SES allocations was sent to OPM.

**Administrative Services and Space Management** – OAS completed the modification of internal entrance doors to add a small window to reduce the risk of injury to employees. A new digital identification system has been installed and implemented at Headquarters, New York, and Chicago. OAS oversaw the automation and creation of a telephone directory database and updated and issued a new directory.

**Financial Management** – OFM submitted the update to the Strategic Plan (Opportunities for Strategic Changes 2000-2005) to OMB and to Congress. The FY 2002 OMB Budget Estimate, the FY 2002 Annual Performance Plan, and the FY 2000 Performance Report were also submitted to OMB and Congress. OFM prepared the FY 2001 Operating Budget which was subsequently approved by the Commission; the FY 2001 Apportionment which was approved by OMB; and the Appropriation Warrant which was approved by the US Treasury. OFM submitted material to OMB in support of the FY 2002 OMB Budget Estimate. The fourth quarter Quarterly Performance Review and MASC Report were issued. In addition, OFM will completed all FY 2000 year-end financial reports as required by Treasury and OMB and completed FY 2000 travel card reports on usage, non-usage, misuse, and cancellations related to BOA travel accounts. Three FFS Advisories were issued: FFS Vendor Code Instructions, FFS Document Numbering Instructions, and FFS Transaction Codes and Types. OFM extended the office space lease in Kansas City for five additional years. OFM also drafted an implementation plan for compliance with Executive Order 13170, entitled "Increasing Opportunities and Access for Disadvantaged Businesses". This plan calls for increased efforts in procuring goods and services from small disadvantaged businesses.

## **Part III: Annual Performance Statistics**

## Summary of Commission Outreach Efforts

*First Quarter, FY 2001*

### Non-Recurring Outreach Efforts:

Quarterly meetings of Chairman Rainer and leaders of Exchanges  
Congressional briefings with OLIA staff

### Recurring/Established Outreach Efforts:

#### Advisory

Agricultural Advisory Committee  
Technology Advisory Committee  
Global Markets Advisory Committee

#### Federal and State Working Relationships

President's Working Group on Financial Markets  
US Department of Agriculture  
Securities and Exchange Commission  
Department of the Treasury  
Board of Governors of the Federal Reserve System  
New York Federal Reserve Bank  
Federal Deposit Insurance Corporation  
Department of Energy  
Department of Labor's Bureau of Labor Statistics  
Department of Justice  
Federal Bureau of Investigation  
Federal Trade Commission  
US Postal Inspection Service

#### Self-Regulatory

National Futures Association quarterly meetings

#### International

Foreign regulatory authorities  
International Organization of Securities Commissions (IOSCO)

### List of Interested Parties

All Exchanges and Self-Regulatory Organizations  
Public  
Congress  
The Administration  
Market Professionals  
Market Users  
Foreign Authorities  
Federal Departments and Agencies

**Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2001*****Goal One: Protect the economic functions of the commodity futures and option markets.****Outcome Objective 1.1:** *Foster futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity. (Activities 1.1.1 through 1.1.7)***Annual Performance Goal:** No price manipulation or other disruptive actions.**Activity 1.1.1: Collect US futures and option large trader and exchange-generated data for all actively trading contracts to support market surveillance, enforcement of speculative limits, dissemination of information to the public, and futures market studies and research by Commission staff and others.**

<b>Activity 1.1.1 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of large trader and exchange-generated reports collected.	52,400,000	13,013,125				13,013,125	25%	52,053,000
Number of projects/measures intended to reduce reporting burdens and related costs on the exchanges.	5	1				1	20%	5

**Activity 1.1.2: Monitor the markets to detect and respond quickly to potentially disruptive situations such as market congestion and/or potential price manipulation.**

<b>Activity 1.1.2 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of active futures and option markets.	275	258				N/A	N/A	263
Number of market surveillance reports prepared on expiring contracts for indications of price manipulation or other market disruptions.	2,100	477				477	23%	2,100
Number of market surveillance analyses prepared and presented at Commission briefings.	280	68				68	24%	280
Number of markets requiring intensified surveillance to prevent manipulation.	20	2				2	10%	10
Number of derivatives transaction facilities monitored	5	0				0	0%	5

**Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2001*****Goal One: Protect the economic functions of the commodity futures and option markets.***Outcome Objective 1.1 (Cont'd.)*

**Activity 1.1.3: Conduct timely review of contract market designation applications and changes to applications to determine if they are economically viable and do not pose a likelihood of disruption in the cash, futures, and option markets.**

<b>Activity 1.1.3 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of contract approval requests reviewed	30	1				1	3%	30
Number of contract approval requests reviewed within 45 days	16	0				0	0%	16
Presurveillance reviews of new contract certification filings	37	0				0	0%	37
Economic review of requests for approval of rule changes	50	25				25	50%	102
Number of rule change approval requests reviewed within 45 days.	93	25				25	27%	93
Number of rule change certification filings	52	0				0	0%	52
Number of reviews related to exempt market filings	5	0				0	0%	5

**Activity 1.1.4: Identify possible manipulation and other abusive trading practices for investigation and possible enforcement or criminal action.**

(Measure deleted in FY 2001)

**Activity 1.1.5: Investigate possible manipulation and other abusive trading practices.\***

<b>Activity 1.1.5 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of such investigations opened during the reporting period.	12	4				4	33%	12
Number of such investigations closed during the reporting period.	TBD	1				1	N/A	4
Number of such investigations pending at close of the reporting period.	16	16				16	N/A	21
Number of such investigations closed or resulting in the filing of an enforcement case during the reporting period.**	12	1				1	8%	12
During the reporting period, the number of such investigations closed or resulting in an enforcement case within one year of opening the related investigation.	6	0				0	0%	6

\*Individual Enforcement investigations and cases frequently concern issues that span more than one strategic goal. Accordingly, all performance indicators are reflected in each outcome objective achieved throughout the course of a matter. So, for example, if a case is filed which contains allegations of trade practice violations as well as supervision failures, that case will be reflected in the appropriate places under Goals One, Two, and Three.

\*\* An Enforcement investigation can remain open after a related case has been filed.

**Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2001*****Goal One: Protect the economic functions of the commodity futures and option markets.***Outcome Objective 1.1 (Cont'd.)***Activity 1.1.6: Institute enforcement cases concerning manipulation and other abusive trading practices.**

<b>Activity 1.1.6 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of such cases filed during the reporting period.	3	2				2	67%	3
Number of such cases completed during the reporting period.	3	0				0	0%	3
Number of such cases pending at the close of the reporting period.	13	12				12	N/A	13
During the reporting period, the total number of such cases filed within one year of opening the related investigation.	0	1				1	N/A	1

**Activity 1.1.7: Sanction violators.\***

<b>Activity 1.1.7 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Amount of disgorgement or restitution ordered.	\$100,000	\$0				\$0	0%	\$100,000
Amount of civil penalties.	\$1,000,000	\$0				\$0	0%	\$1,000,000
Number of cease and desist orders.	4	0				0	0%	4
Number of registration sanctions.	3	0				0	0%	3
Number of trading prohibitions.	3	0				0	0%	3
Amount of sanctions collected/recovered.	TBD	N/A				0	N/A	TBD

\*This Quarterly Performance Review only reflects sanctions which have become final by the close of the reporting quarter. Thus the output measures reported here include only sanctions in settled matters; unappealed decisions of the Commission, US District Courts, or US Circuit Courts of Appeals; and decisions of the US Supreme Court.



**Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2001*****Goal One: Protect the economic functions of the commodity futures and option markets.****Outcome Objective 1.2:** *Promote compliance with and deter violations of federal commodities laws.  
(Activities 1.2.1 through 1.2.3)***Annual Performance Goal:** No decrease in market use by producers, processors, financial institutions, and other firms because of loss of confidence in the price discovery and risk shifting functions of the markets.**Activity 1.2.1: Participate in the President's Working Group on Financial Markets to ensure coordination of information and efforts among US financial regulators.**

<b>Activity 1.2.1 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of President's Working Group meetings held (includes Steering Committee meetings).	24	6				6	25%	24
Number of President's Working Group meetings attended (includes Steering Committee meetings).	24	6				6	25%	24

**Activity 1.2.2: Maintain a current understanding of market functions and developments through studies and research.**

<b>Activity 1.2.2 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of ongoing market research projects and studies.	12	3				3	25%	12
Number of market research projects and studies completed.	12	3				3	25%	12

**Activity 1.2.3: Provide materials and information on the functions and utility of the markets to the public through public Commission meetings, public roundtables, advisory committee meetings, symposia, US Department of Agriculture publications, press releases, advisories, routine reports on large trader activity, etc.**

<b>Activity 1.2.3 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of presentations at public roundtables conducted.	3	0				0	0%	3
Number of presentations at Advisory Committee meetings conducted.	3	0				0	0%	3
Number of market reports published.	7,200	1,352				1,352	19%	7,200
Number of requests for data from universities and private sources.	10	3				3	30%	10
Number of requests fulfilled.	10	3				3	30%	10
Number of large trader reports (routine and special) provided to other US financial regulators.	28	7				7	25%	28

**Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2001*****Goal Two: Protect market users and the public.**

**Outcome Objective 2.1:** *Promote compliance with and deter violations of federal commodities laws. (Activities 2.1.1 through 2.1.10)*

**Annual Performance Goal:** All known possible wrongdoing identified and investigated. All violators brought to justice.

**Activity 2.1.1: Identify and investigate possible fraudulent and other illegal activities relating to the commodity futures and option markets and their registrants.\***

<b>Activity 2.1.1 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of such investigations opened during the reporting period.	100	23				23	23%	100
Number of such investigations closed during the reporting period.	TBD	19				19	N/A	76
Number of such investigations pending at close of the reporting period.	105	83				83	N/A	105
Number of such investigations closed or resulting in the filing of an enforcement case during the reporting period.**	120	20				20	17%	120
During the reporting period, the total number of such investigations closed or resulting in an enforcement case within one year of opening of the related investigation.	60	13				13	22%	60

\*Individual Enforcement investigations and cases frequently concern issues that span more than one strategic goal. Accordingly, all performance indicators are reflected in each outcome objective achieved through the course of a matter. So, for example, if a case is filed which contains allegations of trade practice violations as well as supervision failures, any performance indicators associated with the case will be reflected in the appropriate places under Goals One, Two, and Three.

\*\* An Enforcement investigation can remain open after a related case has been filed.

Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2001*

## Goal Two: Protect market users and the public.

## Outcome Objective 2.1 (Cont'd.)

**Activity 2.1.2: Bring injunctive actions, including using "quick-strike" efforts to protect assets and to stop egregious conduct.**

Activity 2.1.2 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of such injunctive cases filed during the reporting period.	12	3				3	25%	12
Number of such injunctive cases completed during the reporting period.	15	2				2	13%	15
Number of such injunctive cases pending at close of the reporting period.	39	45				45	N/A	41
During the reporting period, the total number of such injunctive cases filed within one year of the opening of the related investigation.	TBD	3				3	N/A	9
Number of such injunctive cases filed during the reporting period using "quick-strike" procedures.*	6	2				2	33%	6

\*"Quick strike" cases are anti-fraud civil injunctive actions filed by the Commission within four months of the opening of the related investigation.

**Activity 2.1.3: Bring administrative cases involving fraud and other violations.**

Activity 2.1.3 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of administrative cases filed during the reporting period.	22	3				3	14%	22
Number of such administrative cases completed during the reporting period.	24	2				2	8%	24
Number of such administrative cases pending at the close of the reporting period.	23	22				22	96%	19
During the reporting period, the total number of such administrative cases filed within one year of opening the related investigation.	11	1				1	9%	11

**Activity 2.1.4: Hear administrative cases.**

Activity 2.1.4 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of administrative cases decided during the fiscal year.	23	2				2	9%	23

**Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2001*****Goal Two: Protect market users and the public.***Outcome Objective 2.1 (Cont'd.)***Activity 2.1.5: Sanction violators.\***

<b>Activity 2.1.5 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of statutory restraining orders obtained.	8	4				4	50%	8
Number of preliminary injunctions obtained.	8	2				2	25%	8
Number of permanent injunctions obtained.	20	1				1	5%	20
Amount of disgorgement and restitution granted.	\$60,000,000	\$0				\$0	0%	\$60,000,000
Amount of civil monetary penalties granted.**	\$65,000,000	\$110,000				\$110,000	0%	\$65,000,000
Number of cease and desist orders obtained.	22	1				1	5%	22
Number of requests for registration restrictions granted.	6	0				0	0%	6
Number of requests for trading prohibitions granted.	10	1				1	10%	10

\* This Quarterly Performance Review only reflects sanctions which have become final by the close of the reporting quarter. Thus the output measures reported here include only sanctions in settled matters; unappealed decisions of the Commission, US District Courts, or US Circuit Courts of Appeals; and decisions of the US Supreme Court.

\*\*All of the approximately \$110,000 in total civil monetary penalties ordered paid in FY 2001 were ordered paid pursuant to multi-year payment plans in which the actual amount paid by the defendant/respondent depends upon the level of his/her income during the period of the payment plan.

**Activity 2.1.6: Inform the public and the industry concerning allegations of wrongdoing and associated legal actions, including through publications and through Commission orders and reports describing the alleged violations and the Commission's legal and policy analysis.**

<b>Activity 2.1.6 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of cases decided with published opinions.	11	1				1	9%	11
Number of cases decided by orders of summary affirmance.	2	0				0	0%	2

**Activity 2.1.7: Collect sanctions and civil monetary penalties against violators.**

<b>Activity 2.1.7 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Amount of civil monetary penalties assessed.	TBD	N/A				N/A	N/A	TBD
Amount of civil monetary penalties collected.	\$1,600,000	\$113,401				\$113,401	7%	\$1,600,000

**Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2001*****Goal Two: Protect market users and the public.***Outcome Objective 2.1 (Cont'd.)*

**Activity 2.1.8: Cooperate with the exchanges, the National Futures Association, other federal agencies, state governments and law enforcement entities, and foreign authorities to gain information for law enforcement purposes and to provide enforcement assistance as necessary and appropriate.**

<b>Activity 2.1.8 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of enforcement investigations in which resources were expended during the reporting period in cooperative enforcement.	24	4				4	17%	24
Number of requests for enforcement assistance from foreign authorities during the reporting period.	24	5				5	21%	24
Number of requests for enforcement assistance made to foreign authorities during the reporting period.	22	11				11	50%	22

**Activity 2.1.9: Monitor the Internet and other communication media for fraudulent activities and other possible violations of the Act.**

<b>Activity 2.1.9 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of preliminary inquiries generated from Internet and media monitoring during the reporting period.	62	17				17	27%	62

**Activity 2.1.10: Resolve appeals in administrative enforcement matters and self-regulatory organization adjudicatory actions.**

<b>Activity 2.1.10 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of administrative enforcement appeals resolved.	13	1				1	8%	13
Number of administrative enforcement appeals decided during the reporting period that were decided within six months.	3	1				1	33%	3
Number of SRO adjudicatory action appeals resolved.	3	1				1	33%	3
Number of SRO adjudicatory action appeals decided during the reporting period that were decided within six months.	1	1				1	100%	1

**Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2001*****Goal Two: Protect market users and the public.**

**Outcome Objective 2.2:** *Require commodities professionals to meet high standards. (Activities 2.2.1 through 2.2.3)*

**Annual Performance Goal:** No unregistered, untested, and unlicensed commodity professionals.

**Activity 2.2.1:** **Oversee the National Futures Association (NFA) registration program, including testing, licensing, and ethics training for commodities professionals.**

<b>Activity 2.2.1 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of registered commodity professionals.	65,000	64,795				N/A	N/A	65,000
Number of registrants compliant with standards regarding testing, licensing, and ethics training.	64,000	62,850				N/A	N/A	64,000
Number of CTA-NFA Registration Working Group meetings.	4	1				1	25%	4

**Activity 2.2.2:** **Oversee NFA's document disclosure review program.**

<b>Activity 2.2.2 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of disclosure documents reviewed.	25	9				9	36%	25
Number of deficiency letters issued.	5	2				2	40%	5
Number of CPO and CTA biennial review reports issued (every odd FY).	1	0				0	0%	1
Number of CPO/CTA interpretations, advisories, and proposed rule changes.	5	2				2	40%	5

Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2001*

## Goal Two: Protect market users and the public.

## Outcome Objective 2.2 (Cont'd.)

**Activity 2.2.3: Investigate and bring administrative registration cases arising out of alleged statutory disqualification and obtain suspensions, revocations, conditions, or restrictions of registration.**

Activity 2.2.3 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of statutory disqualification investigations opened during the reporting period.	4	2				2	50%	4
Number of statutory disqualification investigations closed during the reporting period.	TBD	2				2	N/A	4
Number of statutory disqualification investigations pending at the close of the reporting period.	3	3				3	N/A	3
Number of statutory disqualification investigations closed or resulting in the filing of an enforcement case during the reporting period.*	5	2				2	40%	5
During the reporting period, the number of statutory disqualification investigations closed or resulting in enforcement case within one year of opening the related investigation.*	3	1				1	33%	3
Number of statutory disqualification cases filed during the reporting period.	5	0				0	0%	5
Number of statutory disqualification cases completed during the reporting period.	6	1				1	17%	6
Number of statutory disqualification cases pending at the close of the reporting period.	10	4				4	N/A	4
During the reporting period the total number of statutory disqualification cases filed within one year of the opening of the related investigation.	3	0				0	0%	3
Number of respondents/defendants against whom the CFTC's request for registration restrictions has been granted during the reporting period.	6	0				0	0%	6

\* An Enforcement investigation can remain open after a related case has been filed.

**Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2001*****Goal Two: Protect market users and the public.**

**Outcome Objective 2.3:** *Provide a forum for effectively and expeditiously handling customer complaints against persons or firms registered under the Act. (Activity 2.3.1)*

**Annual Performance Goal:** All customer complaints against persons or firms registered under the Act are resolved within one year from the date filed (does not include appeals).

**Activity 2.3.1: Provide a reparations program for commodities market users to make claims relating to violations of the Act.**

<b>Activity 2.3.1 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of reparations complaints filed during the reporting period.	175	22				22	13%	175
Number of reparations complaints forwarded for hearing as cases during the reporting period.	140	36				36	26%	140
During the reporting period the number of reparations complaints resolved within one year of filing date.	75	13				13	17%	75
During the reporting period the number of appeal cases decided that were decided within six months.	2	2				2	100%	4
Number of appeals resolved during the reporting period.	20	3				3	15%	20

**Goal Three: Foster open, competitive, and financially sound markets.**

**Outcome Objective 3.1:** *Ensure sound financial practices of clearing organizations and firms holding customer funds. (Activities 3.1.1 through 3.1.5)*

**Annual Performance Goal:** No loss of customer funds as a result of firms' failure to adhere to regulations. No customers prevented from transferring funds from failing firms to sound firms.

**Activity 3.1.1: Promulgate regulations to ensure sound business, financial, and sales practices in firms participating in the commodities industry.**

<b>Activity 3.1.1 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of firms required to transfer customer accounts.	TBD	0				0	N/A	TBD
Amount of customer funds lost.	TBD	0				0	N/A	TBD



**Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2001*****Goal Three: Foster open, competitive, and financially sound markets.***Outcome Objective 3.1 (Cont'd.)***Activity 3.1.2: Review and oversee self-regulatory organization audit and financial practices.**

<b>Activity 3.1.2 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of oversight audits.	50	3				3	6%	50
Number of financial investigative reviews.	10	2				2	20%	10
Number of financial reports processed.	5,000	776				776	16%	5,000
Number of financial reports resulting in follow-up inquiries. *	200	34				34	17%	200

\* Follow-up on Notices of Capital Reduction and other notices under Rule 1.12.

**Activity 3.1.3: Identify and investigate possible financial, capitalization, segregation, and supervision violations for possible prosecution.\***

<b>Activity 3.1.3 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of such investigations opened during the reporting period.	19	9				9	47%	19
Total number of such investigations closed during the reporting period.	TBD	5				5	N/A	19
Number of such investigations pending at the close of the reporting period.	30	30				30	N/A	26
Number of such investigations closed or resulting in the filing of an enforcement case during the reporting period.**	24	5				5	21%	24
During the reporting period, the total number of such investigations closed or resulting in an enforcement case within one year of the opening of the related investigation.**	8	4				4	50%	8

\*Individual Enforcement investigations and cases frequently concern issues that span more than one strategic goal. Accordingly, all performance indicators are reflected in each outcome objective achieved through the course of a matter. So, for example, if a case is filed which contains allegations of trade practice violations as well as supervision failures, any performance indicators associated with the case will be reflected in the appropriate places under Goals One, Two, and Three.

\*\* An Enforcement investigation can remain open after a related case has been filed.

**Activity 3.1.4: Bring cases concerning financial, capitalization, segregation, and supervision violations.**

<b>Activity 3.1.4 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Total number of such cases filed during the reporting period.	11	4				4	36%	11
Number of such cases completed during the reporting period.	TBD	2				2	N/A	11
Number of such cases pending at the close of the reporting period.	39	38				38	N/A	36
During the reporting period, the total number of such cases filed within one year of the opening of the related investigation.	3	2				2	67%	3

Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2001*

## Goal Three: Foster open, competitive, and financially sound markets.

## Outcome Objective 3.1 (Cont'd.)

## Activity 3.1.5: Sanction violators.\*

Activity 3.1.5 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Amount of disgorgement and restitution ordered.**	\$35,000,000	\$0				\$0	0%	\$35,000,000
Amount of civil monetary penalties ordered.***	\$14,000,000	\$0				\$0	0%	\$14,000,000
Number of cease and desist orders.	16	0				0	0%	16
Number of respondents/defendants whose registrations were ordered restricted.	13	0				0	0%	13
Amount of civil monetary penalties collected.	TBD	N/A				--	N/A	N/A
Amount of disgorgement or restitution money paid.	TBD	N/A				--	N/A	N/A

\* This Quarterly Performance review only reflects sanctions which have become final by the close of the reporting quarter. Thus, the output measures reported here include only sanctions in settled matters; unappealed decisions of the Commission, US District Courts, or US Circuit Courts of Appeals; and decisions of the US Supreme Court.

**Outcome Objective 3.2:** Promote and enhance effective self-regulation of the commodity futures and option markets. (Activities 3.2.1 through 3.2.6)

**Annual Performance Goal:** No loss of customer funds resulting from failure of self-regulatory organizations to ensure compliance with its rules.

## Activity 3.2.1: Review and approve self-regulatory organization rules and rule amendments

Activity 3.2.1 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of SRO rule submissions reviewed.	350	51				51	15%	350
Number of SRO rule amendments reviewed.	730	528				528	72%	1,000

**Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2001*****Goal Three: Foster open, competitive, and financially sound markets.***Outcome Objective 3.2 (Cont'd.)*

**Activity 3.2.2: Conduct rule enforcement reviews of self-regulatory organizations (financial practices, sales practices, trade practices, and audit trail).**

<b>Activity 3.2.2 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of rule enforcement reviews conducted.	7	0				0	0%	7
Number of rule enforcement recommendations for improvement made.	TBD	0				0	N/A	N/A

**Activity 3.2.3: Review and oversee self-regulatory organization audit and financial practices.**

<b>Activity 3.2.3 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of oversight audits.	50	3				3	6%	50
Number of financial investigative reviews.	10	2				2	20%	10
Number of financial reports processed.	5,000	776				776	16%	5,000
Number of financial reports resulting in follow-up inquiries. *	200	34				34	17%	200

\* Follow-up on Notices of Capital Reduction and other notices under Rule 1.12

**Activity 3.2.4: Review adequacy of self-regulatory organization disciplinary actions.**

<b>Activity 3.2.4 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of self-regulatory disciplinary actions reviewed.	800	130				130	16%	800

**Activity 3.2.5: Conduct direct audits of clearing organizations and firms handling customer money to ensure compliance with capitalization and segregation rules.**

<b>Activity 3.2.5 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of direct audits of clearing organizations and firms handling customer money.	30	0				0	0%	30
Number of audited clearing organizations.	TBD	0				0	N/A	N/A
Number of audited clearing organizations in compliance with segregation rules.	TBD	0				0	N/A	N/A

**Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2001*****Goal Three: Foster open, competitive, and financially sound markets.***Outcome Objective 3.2 (Cont'd.)***Activity 3.2.6: Promulgate regulations to ensure effective self-regulation by exchanges, clearing organizations, and registered futures associations.**

<b>Activity 3.2.6 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of newly promulgated CFTC regulations requiring SRO implementation.	TBD	1				1	N/A	1

**Outcome Objective 3.3:** *Facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions. (Activities 3.3.1 through 3.3.5)***Annual Performance Goal:** All requests for information sharing under agreements honored, and new agreements pursued as warranted. All requests for relief responded to within Commission guidelines.**Activity 3.3.1: Coordinate and cooperate with global financial services regulators to share vital information concerning markets, intermediaries, and regulatory structure.**

<b>Activity 3.3.1 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of requests from foreign authorities received.	200	49				49	25%	200
Number of requests from foreign authorities honored by CFTC.	200	49				49	25%	200
Number of requests made to foreign authorities.	150	71				71	47%	150
Number of CFTC requests honored by foreign authorities.	150	71				71	47%	150
Average response time.	2 days	2 days				N/A	N/A	2 days

**Activity 3.3.2: Coordinate and cooperate with global financial services regulators to develop appropriate global standards and arrangements in the commodities industry as markets emerge and evolve.**

<b>Activity 3.3.2 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of global standards, arrangements or initiatives developed.	2	2				2	100%	2
Number of global standards, arrangements or initiatives adopted.	2	2				2	100%	2

**Activity 3.3.3: Participate in the International Organizations of Securities Commissions and represent the Commission at international meetings concerning commodity regulation.**

<b>Activity 3.3.3 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of IOSCO and related international meetings held.	30	10				10	33%	30
Number of IOSCO and related international meetings attended by CFTC.	30	10				10	33%	30

**Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2001*****Goal Three: Foster open, competitive, and financially sound markets.***Outcome Objective 3.3. (Cont'd.)*

**Activity 3.3.4: Participate in the President's Working Group on Financial Markets to ensure coordination of information and efforts among US financial regulators.**

*See Activity 1.2.1 for annual targets.*

**Activity 3.3.5: Provide exemptive, interpretive, or other relief as appropriate to foster the development of innovative transactions, trading systems, and similar arrangements.**

<b>Activity 3.3.5 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of requests for exemptive, interpretive, or other relief.	270	59				59	22%	270
Number of CFTC responses to such requests.	255	56				56	22%	255
Average response time.	6 weeks	6 weeks				N/A	N/A	6 weeks

**Outcome Objective 3.4: Promote markets free of trade practice abuses. (Activities 3.4.1 through 3.4.4)**

**Annual Performance Goal:** No trade practice abuses.

**Activity 3.4.1: Identify possible trade practice violations for investigation and possible enforcement proceedings.**

<b>Activity 3.4.1 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of trade practice investigations completed.	100	30				30	30%	100
Number of possible trade practice violations referred to SROs and/or to Division of Enforcement for investigation.	27	10				10	37%	27

**Activity 3.4.2: Investigate possible trade practice violations.**

<b>Activity 3.4.2 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of such investigations opened during the reporting period.	12	4				4	33%	12
Number of investigations closed during the reporting period.	TBD	1				1	N/A	4
Number of investigations pending at the close of the reporting period.	15	16				16	N/A	21
Number of investigations closed or resulting in the filing of an enforcement case during the reporting period.*	12	1				1	8%	12
During the reporting period, the total number of investigations closed or resulting in an enforcement case within one year of opening of the related investigations.*	6	0				0	0%	6

\* An Enforcement investigation can remain open after a related case has been filed.

**Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2001*****Goal Three: Foster open, competitive, and financially sound markets.***Outcome Objective 3.4. (Cont'd.)***Activity 3.4.3: Bring cases concerning trade practice violations.**

<b>Activity 3.4.3 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Total number of such cases filed during the reporting period.	2	1				1	50%	2
Number of such cases completed during the reporting period.	2	0				0	0%	2
Number of such cases pending at the close of the reporting period.	12	10				10	N/A	12
During the reporting period, the total number of such cases filed within one year of the opening of the related investigation.	0	0				0	N/A	0

**Activity 3.4.4: Bring enforcement proceedings against violators.**

<b>Activity 3.4.4 Output Measures:</b>	<b>FY 2001 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>FY 2001 Actual</b>	<b>%</b>	<b>Year-End Projection</b>
Number of statutory restraining orders granted.	0	0				0	--	0
Number of preliminary injunctions obtained.	0	0				0	--	0
Number of permanent injunctions obtained.	0	0				0	--	0
Amount of restitution and disgorgement granted.	\$100,000	\$0				\$0	0%	\$100,000
Amount of civil monetary penalties granted.	\$1,000,000	\$0				\$0	0%	\$1,000,000
Number of cease and desist orders obtained.	4	0				0	0%	4
Number of requests for registration restrictions granted.	4	0				0	0%	4
Number of requests for trading prohibitions granted.	4	0				0	0%	4